

## Message Text

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PAGE 01 RIO DE 02502 021332Z  
ACTION ARA-14

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-----049898 030637Z /15

R 021237Z JUN 78  
FM AMCONSUL RIO DE JANEIRO  
TO SECSTATE WASHDC 6293  
INFO USDA WASHDC  
AMEMBASSY BRASILIA  
AMCONSUL SAO PAULO  
AMCONSUL RECIFE

UNCLAS RIO DE JANEIRO 2502

E. O. 11652: N/A  
TAGS: EAGR, BR  
SUBJ: CHANGES IN DECISION MAKING MACHINERY AT BRAZIL'S SUGAR  
AND ALCOHOL INSTITUTE

1. JORNAL DO BRASIL OF MAY 30, 1978 CARRIED AMMOUNCEMENT THAT  
THE DELIBERATIVE COUNCIL OF THE INSTITUTO DO ACUCAR E ALCOOL-IAA  
(SUGAR AND ALCOHOL INSTITUTE) HAS LOST ONE OF ITS MOST IMPORTANT  
MEANS OF CONTROLLING THE SUGAR INDUSTRY. (FYI: THE DELIBERATIVE  
COUNCIL  
CONSISTED OF MEMBERS FROM THE PRIVATE SECTOR, - BOTH

CANE GROWERS AND REFINERS-AND PUBLIC SECTOR MEMBERS, WITH LATTER  
ALWAYS IN THE MAJORITY. END FYI.) BEGINNING WITH JUNE 1 CROP  
YEAR, THE NATION'S ANNUAL SUGAR AND ALCOHOL PRODUCTION PLAN WILL

NO LONGER BE DETERMINED DY IAA'S DELIBERATIVE COUNCIL, BUT BY AN  
INNER-MINISTERIAL GROUP HEADED BY MINISTER OF INDUSTRY AND  
COMMERCE (MIC). THIS CHANGE RESULTED IN AN ANGRY PROTEST FROM  
PRIVATE SECTOR REPRESENTATIVES ON THE COUNCIL,WHICH WAS IN THE  
MIDST OF DISCUSSING PLAN FOR THE 1978/79 MARKETING YEAR.

2. DISAGREEMENT WHICH PRECIPATED CHANGE AT IAA BEGAN ON MAY 26,  
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WHEN THE DRAFT CROP PLANS WAS SUBMITTED TO THE MIC FOR APPROVAL  
INSTEAD OF BEING DECIDED UPON BY COUNCIL AS HAD BEEN DONE IN THE  
PAST. APPROVAL OF THE DRAFT AS PRESENTED BY MIC WAS ASSURED  
BECAUSE OF GOB MAJORITY ON THE COUNCIL.

3. SUGAR MILLERS AND PLANTERS COMPLAINTS WERE DIRECTED  
PRIMARILY AGAINST THE PROCEDURAL CHANGES WHICH DENIED THEM ANY

ROLE IN THE SETTING OF PRODUCTION QUOTAS FOR EACH PRODUCING STATE. PRIVATE SECTOR PROTESTS, HOWEVER, WERE NOT CONFIRMED TO THE REVISED PROCEDURES, BUT INCLUDED COMPLAINTS ABOUT THE CEILING OF 120 MILLION 60-KILO BAGS OF SUGAR FOR THE 1978/79 CROP (THE 1977/78 CEILING WAS 135 MILLION BAGS) AND VOLUME OF ALCOHOL TO BE PRODUCED (NOT YET ANNOUNCED).

4. TWO IMPORTANT ISSUES AWAIT A DECISION BY IAA: (1) THE AMOUNT OF FINANCING FOR SUGAR STOCKS (PROBABLY WILL BE BELOW PRESENT LEVEL OF 80 PERCENT OF IAA-SET PRICE); AND (2) PRICE FOR SUGAR CANE AND SUGAR FOR 1978/79 CROP. MANY OBSERVERS EXPECT THAT ANTI-INFLATION POLICIES WILL PREVAIL WHEN THE PRICE DECISION IS MADE, THUS SQUEEZING PROFIT MARGIN FOR THE GROWERS AND MILLERS.  
DEXTER

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 02 jun 1978  
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**Decaption Note:**  
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**Disposition Comment:**  
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**Disposition History:** n/a  
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